a net long position in the same class group (*i.e.*, the net short and long positions have the same underlying interest). Therefore, Interpretation .06 currently treats a net short position as unpaired even if the net short position is offset by a net long position in a highly correlated class group. For example, Interpretation .06 treats a net short position in an index option that is offset by a net long position in a highly correlated but different index option as unpaired for purposes of the short option adjustment.

The rule change modifies the short option adjustment logic of NEO TIMS so that it recognizes spreads between net long and short positions on underlying interests that exhibit price correlation of seventy percent or greater in addition to spreads between net long and short positions on the same underlying interests. The rule change amends Rule 602 to provide that NEO TIMS (1) will continue to pair all net short contracts on a particular underlying interest against all net long contracts on the same underlying interest and (2) will then pair any remaining net short positions against any net long positions that remain in other class groups that exhibit seventy percent or greater price correlation.[11] Any short contracts remaining unpaired after this pairing process will be subject to the short option adjustment.[12]

Interpretation .06 currently states that those short contracts having the lowest premium margin values will be deemed to be unpaired. Premium margin value is an important criterion used by OCC to identify those excess short contracts which it will deem unpaired, but it is not the only criterion. Other criterion may include identifying contracts that are farthest from expiration, that have the highest exercise price (in the case of calls) or the lowest exercise price (in the case of puts), or that have been assigned the largest margin interval. The rule change amends Interpretation .06 to provide that OCC will identify which of the excess short contracts will be deemed unpaired and therefore will be subject to margin requirements using the short option adjustment.

[11] The class groups in OCC's stock index and currency option produce groups satisfy the requirement for seventy percent or greater price correlation.

[12] Commodity options and futures held in cross-margin accounts, market baskets, and stock loan and borrow baskets also will be included in the pairing process. Long calls, futures, commodity calls, market baskets, and stock loan baskets will be netted against short calls and commodity calls. Long puts, commodity puts, short futures, market baskets, and stock borrow baskets will be netted against short puts and commodity puts.

II. Discussion

Section 17A(b)(3)(F) of the Act[13] requires that the rules of a clearing agency be designed to assure the safeguarding of securities and funds which are in its custody or control or for which it is responsible. The Commission believes that the rule change is consistent with OCC's obligation under Section 17A(b)(3)(F) because it should reduce overcollateralization of OCC's clearing members' positions without impairing OCC's overall protection against member default.

III. Conclusion

On the basis of the foregoing, the Commission finds that the proposed rule change is consistent with the requirements of the Act and in particular with Section 17A of the Act[14] and the rules and regulations thereunder.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (File No. SR–OCC–98–07) be and hereby is approved.

For the Commission by the Division of Market Regulation, pursuant to delegated authority.[15]

Margaret H. McFarland,

Deputy Secretary.

[FR Doc. 98–26864 Filed 10–6–98; 8:45 am]

BILLING CODE 8010–01–M

[13] 15 U.S.C. 78q–1(b)(3)(F).

[14] 15 U.S.C. 78q–1.

[15] 17 CFR 200.30–3(a)(12).

SMALL BUSINESS ADMINISTRATION

[Declaration of Disaster #3134]

Commonwealth of Puerto Rico

As a result of the President's major disaster declaration on September 24, 1998, I find that all 78 Municipalities in the Commonwealth of Puerto Rico constitute a disaster area due to damages caused by Hurricane Georges that occurred on September 20–22, 1998. Applications for loans for physical damage as a result of this disaster may be filed until the close of business on November 23, 1998, and for loans for economic injury until the close of business on June 24, 1999 at the address listed below or other locally announced locations: Small Business Administration, Disaster Area 1 Office, 360 Rainbow Blvd. South, 3rd Floor, Niagara Falls, NY 14303.

The interest rates are:

	Percent
Physical Damage:	
Homeowners with credit available elsewhere	6.875
Homeowners without credit available elsewhere	3.437
Businesses with credit available elsewhere	8.000
Businesses and non-profit organizations without credit available elsewhere	4.000
Others (including non-profit organizations) with credit available elsewhere	7.125
For Economic Injury:	
Businesses and small agricultural cooperatives without credit available elsewhere	4.000

The number assigned to this disaster for physical damage is 313408, and for economic injury the number is 9A1600.

(Catalog of Federal Domestic Assistance Program Nos. 59002 and 59008)

Dated: September 28, 1998.

Bernard Kulik,

Associate Administrator for Disaster Assistance.

[FR Doc. 98–26848 Filed 10–6–98; 8:45 am]

BILLING CODE 8025–01–P

OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

1998–99 Allocation of the Tariff-Rate Quota for Raw Cane Sugar, Allocation of 27,954 Metric Tons of Refined Sugar to Mexico, Allocation of 10,330 Metric Tons of Refined Sugar and 59,250 Metric Tons of Sugar Containing Products to Canada and Globalization of the Remaining Refined Sugar TRQ

AGENCY: Office of the United States Trade Representative.

ACTION: Notice.

SUMMARY: The Office of the United States Trade Representative (USTR) is providing notice of the country-by-country allocation of the in-quota quantity of the tariff-rate quota for imported raw cane sugar, and allocation of 27,954 metric tons refined sugar to Mexico, of which 25,000 may be raw or refined sugar, and allocation of 10,300 metric tons refined sugar and 59,250 metric tons of sugar containing products to Canada and globalization of the remaining refined sugar tariff-rate quota (which includes specialty sugars) for the period that begins October 1, 1998 and ends September 30, 1999.

EFFECTIVE DATE: October 1, 1998.

ADDRESSES: Inquiries may be mailed or delivered to Elizabeth Jones, Agricultural Economist, Office of Agricultural Affairs (Room 421), Office